



Office of the Mayor
550 Main Street
Hartford, Connecticut 06103

EDDIE A. PEREZ
MAYOR

Telephone: (860) 543-8500
Fax: (860) 722-6606

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Court of Common Council
550 Main Street
Hartford, CT 06103

Dear Councilmembers:

In accordance with the Charter of the City of Hartford, I am submitting the Mayor's Recommended Budget for Fiscal Year 2005-2006 for your review and consideration. The budget was prepared in accordance with all legal requirements and current administrative practices.

HIGHLIGHTS

My Recommended Budget was prepared using a new Hartford Budget Model that replaces the traditional incremental approach. It contains:

- A 2005-2006 General Fund Budget and appropriation ordinance of \$463,678,578.
- A 2005-2006 total appropriation for the Hartford Public Schools of \$253,636,541. This includes \$45,556,541 for employee fringe benefit costs that were historically budgeted in the City's General Fund Employee Benefits Department. In addition, the Hartford Public School System receives funding from other sources including federal grants, state grants, foundations, private sources and other grants. The projected total of these Special Funds is \$87,043,098. The indirect appropriation from the City is

\$14,494,050. The combined amount of these sources brings the total budget for the Hartford Public Schools to \$355,173,689.

- A tax ordinance requiring a 60.82 mill rate levy on all ratable estate within the City, an increase of 4.5 mills from Fiscal Year 2004-2005.
- A police class of twenty-five recruits, scheduled to start the Police Academy July 2005.
- A 2005-2015 Recommended Capital Improvement Program of \$180,019,700 that includes a first year budget totaling \$64,226,000. The total cost of projects includes \$52,910,000 for education facilities. The City's share for bond sales for the various City projects is \$ 9,750,000. The City has established a ten-year plan to budget for the Capital Improvement Program.
- A \$6,374,473 appropriation to the Hartford Public Library that includes \$1,124,213 for fringe benefit costs that were historically budgeted in the City's General Fund Employee Benefits Department.
- A Strategic Business Plan that presents a City of Hartford mission and vision, with goals and correlating strategies. A map summarizing key performance measures with departmental programs, activities with anticipated outcomes appears in each department section.
- General Fund Expenditures and Revenues Forecast for Fiscal Years 2006-2007 through 2010-2011.
- Funding for the implementation of a 311 Work Management System.

The 2005-2006 Recommended Budget of \$463,678,578 reflects an increase of \$13,684,639 or 3.0% over the 2004-2005 Adopted Budget of \$449,993,939. This increase is due to several factors:

- A two percent increase in the direct appropriation over the 2004-2005 Adopted Budget and a two percent increase in the amount of fringe benefits funding over the 2004-2005 Revised Budget for the Hartford Public Schools.
- An additional \$500,000 budgeted in the Vehicle Replacement Fund to replace an aging fleet. The City has created a ten-year replacement plan budget that appears in the Transfer to Other Funds section of this book.
- An increase in MERF contributions attributable to the early retirement programs.
- A Police class of twenty-five that will begin training in July 2005.
- An increase in funding for the Emergency Services and Telecommunications department to improve 911-dispatch response time and quality.
- The recognition that a strong technical infrastructure is the basis for improving effectiveness and efficiency throughout the city and in the school system.
- Debt service on bond proceeds to fund the 311 Work Management System.

REVENUES

The Fiscal Year 2005-2006 Mayor's Recommended Budget totals \$463,678,578 and will be financed from tax revenue of \$216,323,448 and \$247,055,130 in non-tax revenue and \$300,000 from the City's Fund Balance. Tax Revenue includes the current tax levy of \$201,022,810. General Fund Revenue in the Fiscal Year 2005-2006 Mayor's Recommended Budget is projected to increase by \$13,684,639 over the Fiscal Year 2004-2005 Adopted Budget. This primarily due to an increase in State Aid of \$3.8 million and projected increases in most non-tax revenue categories: Intergovernmental Revenues, Charges for Services, and Other Revenues. This is offset by decreases in revenue from Licenses and Permits, the Use of Money and Property, and Reimbursements categories.

The 2004 Taxable Grand List has decreased by 1.24% resulting in a reduced value of one mill. I am recommending this budget with an increase of 4.5 mills from the current year budget, to 60.82 mills. It is worth noting that the Exempt Real Property Grand List increased by \$33,248,947, for a total of \$1,952,351,156. The increase is primarily due to ongoing Adriaen's Landing construction. Exempt property comprises 43% of the real property grand list.

Decreasing revenues have forced us to look for new or better ways of doing business and to aggressively move forward to expand our revenue base. First and foremost, revenues can be increased by more effective collection and posting of taxes and other non-tax sources.

Currently, a project facilitated by a pro bono consultant is underway with Finance and Management & Budget staff to ensure the timely processing of property tax payments. The project's objective is to reduce the cycle time and improve accuracy from check receipt to check deposit. The expected results are that payments will be credited and deposited on a timely basis, taxpayers' checks will be cleared more quickly reducing complaints, and additional income will be realized through more timely investment of receipts. Upon completion of this project, additional ones will be planned with the intent of improving the billing and collection processes for the City's other revenue generating sources such as licenses, permits and inspections, as well as special events and private duty police services.

Other new revenue enhancements are being explored to offset the burden placed on our taxpayers. These include billing parties for special services by the Fire Department, billing developers for legal work done by Corporation Counsel, and increasing some of our inspection fees.

MAYORAL INITIATIVE ON CITY ESCROW FUND BALANCES

The Mayor and City Council have adopted a new policy, memorialized by public resolution, that the City will maintain escrow fund balances equal to 7.5% of the total City budget. This increase will provide the City with a greater margin of

safety for emergency purposes. This policy change is well received by the investment community and could translate in the near term into better bond ratings and lower borrowing costs for the City and City taxpayers. This policy change has already been noted by the Standard and Poor's and the Moody's Rating Agencies in their recent reporting on City bond activities and read by investors across the Country. The recent successful refinancing of Parking Authority Bonds with City General Obligation debt saved the City millions in long-term interest payments. The bonds were purchased by investors in California and Arizona, as well as in New York and New Jersey.

LEGAL MANDATES

Legal Mandates are those actions, restrictions, prohibitions, benefits or rights that are established or required by federal, state or local laws. They pose a major problem when the activities that they require to be carried out are not funded by the mandating authority. During the current fiscal year, we have identified all federal, state and local mandates that require the City to carry out an activity, and the budgeted General Fund cost of that activity. During 2005-2006, one of my goals is to establish a process to review and challenge these mandates and establish a more cost efficient delivery of mandated activities that are not successfully challenged.

STATE OF THE CITY

In my State of the City Address that I delivered to you on March 14, 2005, I reported that the state of the city is strong, and together we can work to make it stronger. I referred to Hartford as a tale of two cities. On the one side, we are the rising star, with new development and new found hope; while on the other side, there remain those who do not yet feel a part of the new hope.

I outlined several ambitious plans designed to bring the benefits of the "rising star" to all of our residents so that we can become "one Hartford." The areas where we must focus - the pillars of Hartford's revitalization'- are safe neighborhoods, good schools, living-wage jobs and affordable housing, fair taxes, and economic development.

We have made progress in these areas during the past year. Our Neighborhood Policing Plan has been put into effect and is a move toward achieving safe neighborhoods. Homicide is down by 61% and all crime is down by 16%. Passport To Success, one of my key initiatives, includes the importance of developing a child's mind and promoting children's health and safety before they enter kindergarten. 800 million dollars is being invested in our schools over the next ten years and we have recently completed a construction milestone at Burr Elementary School called "from beams to bricks." Homeownership has increased sharply. There are 800 new homeowners in Hartford since 2002 and Hartford is outpacing the region when it comes to home values. We fought to save union jobs at the Hilton Hotel and, as a result of our agreement with the Waterford Group, more than 120 workers from Hartford are back on the job now

that the Hilton Hartford has been renovated and reopened, and almost 100 more jobs have been created.

The challenge that we face is how to continue to grow in the face of financial slashing on the federal and state levels. We have already lost \$600,000 in federal funding in the past 3 years. We cannot afford to lose more. Yet the federal government wants to eliminate community development block grants as we know them, the result being nearly a million dollars less to work with to support our residents. And the state wants to hold money back too – by not meeting its full obligation to towns and cities and to education.

No one wants to raise taxes. No one wants to cut services. But tough decisions will have to be made. Even so, we must continue to dream big and face current challenges head on.

PERFORMANCE EXCELLENCE

During the past year I have continued implementing changes to Hartford's governance, management structure and workforce. In addition to implementing changes resulting from our new charter and the Mayor-Council form of government that it established, I have continued to develop organizational initiatives for Performance Excellence. This initiative has as its foundation the criteria of the Malcolm Baldrige National Quality Award, including leadership development, strategic planning, quality improvement, performance budgeting, and performance appraisal, and integrates them into a comprehensive approach to the administration of city services.

During the year, departments have developed their strategic business plans that identify their objectives to support the City's goals and strategies. They have also begun to develop program measures and have identified the programs and activities on which the 2005-2006 Recommended Budget is built.

Demonstrative of the Leadership Development component of this initiative, the City, through its Department of Management and Budget, has built the capacity to carry out many of the Performance Excellence responsibilities previously provided to us by the Connecticut Quality Council at Rensselaer Hartford.

MISSION

It is the mission of the City of Hartford to provide public services that ensure a safe and clean community of choice in which to live, work, learn, worship and play. With the support of its residents, we strive to fulfill this mission through collaboration with partners and the delivery of quality services that are reliable, accountable, efficient, and ethical. As a result, we strive to attract the best and the brightest and serve as a model for other cities to follow.

VISION

Hartford – Connecticut's capital city – is on the move. Because of its commitment to improving public schools, establishing respected community policing, creating blight-free neighborhoods, and fostering homeownership and economic development, its residents can take civic pride in a vibrant downtown, strong, healthy, diverse neighborhoods and celebrated public spaces. It is a city where people can work together to make the dreams of a better future realty for all. It is a place of hope.

THE MAYOR'S GOALS AND STRATEGIES

1. Improve Public Safety

- Instill a community policing philosophy throughout entire Police Department.
- Treat neighborhoods as places where people care what happens by enforcing conduct that controls minor crimes, minimizes disorder and improves neighborhoods as safe and pleasant places.
- Develop the Police Department's capabilities.
- Build more responsive connections between the Police and residents.
- Develop the Fire Department's capabilities.
- Improve building safety.

2. Provide Quality Education for Workforce Development

- Foster a culture of academic excellence.
- Achieve best teaching practices.
- Increase higher education acceptance.
- Through renovations and improvements, provide schools that are clean, safe and equipped for the educational needs of the Twenty-First Century.
- Implement the Passport To Success Initiative.
- Implement a Workforce Development Initiative.

3. Stimulate Economic Development

- Develop a diverse workforce.
- Develop and implement comprehensive regional initiatives.
- Plan, with neighborhood involvement, and stimulate community/neighborhood economic development.
- Identify and develop a mix of funding sources.
- Effectively market and promote the City.
- Improve economic development processes and delivery.
- Recruit and retain businesses in the City.

4. Improve Quality Management of Processes/Resources

- Establish and maintain a system of process improvement.
- Establish a process documentation system and make technical improvements to improve performance.
- Establish and maintain a system of accountability.
- Train people in quality skills.
- Manage our human resources.

5. Establish Legal and Policy Mandate Baselines

- Develop and maintain a system of accountability.
- Establish a process for mandate review and challenge.
- Establish a more cost efficient delivery of mandates.

6. Improve City Health and Cleanliness

- Implement a Health Information Initiative and a system for its management.
- Develop the capacity to enhance current health resources and identify new ones.
- Promote civic pride.
- Pursue coordinated, responsive enforcement of all housing, building, health and sanitation codes.
- Reconstitute efforts to combat blight.

7. Stimulate Residential Development

- Increase homeownership
- Develop a plan and implement efforts to provide decent shelter to the homeless.
- Establish and implement a property recycling program.
- Promote the development and preservation of decent housing that is affordable and attractive to a mix of residents.

THE MAYOR'S INITIATIVES

I have taken significant steps in ensuring that Hartford residents receive quality services every day. These services include a series of initiatives aimed at providing residents with innovative choices and new solutions to effect positive change. These initiatives are in the areas of homeownership, higher education, early childhood education, neighborhood development, expanding resident access to wireless technology, workforce development and a plan ten-year plan to end chronic homelessness.

In homeownership, we have not only established goals to meet our initiative of increasing homeownership in Hartford, but have also developed a map for implementation that is designed to create a favorable environment for homeownership production. We are well on our way of reaching our goal with 800 new units of homeownership on the ground.

The Office of the Mayor and Hartford Public Schools have been working together in the implementation of the Blue Ribbon Commission on Higher Education recommendations. I have also made a significant commitment to early childhood education through the creation of a Blueprint and consequently a Cabinet for Young Children, which will assist me in strengthening early childhood policy and services.

In terms of neighborhood development, many downtown projects are becoming a reality. With the Connecticut Convention Center opening in June, the Marriott Hotel in July, and the numerous apartment and retail spaces being completed or

built daily, the prospects for the creation of new jobs is great. In addition to these larger projects, residential neighborhoods are experiencing a renaissance as well. A retail shopping center will open this spring at the corner of Main and Pavilion, in the Clay Arsenal neighborhood on land that has not seen positive economic activity in more than a quarter of a century. Across the city in the Behind the Rocks neighborhood, the Charter Oak Place Market, which includes Wal-Mart, is now open, and has provided hundreds of jobs to Hartford residents. The Hartford Renaissance looks more like a reality everyday.

Most recently, I appointed a Commission to End Chronic Homelessness, charged with providing me with recommendations on how to end chronic homelessness in the next ten years. My vision is for all individuals and families facing chronic homelessness in the Greater Hartford area to have access to safe, decent, affordable housing and the resources and supports needed to sustain it.

HARTFORD SURVEY 2005

We contracted with JEF Associates to conduct a survey of public attitudes toward municipal services in Hartford. They completed a random telephone survey of 614 residents over the age of 18 and 405 people who do not live in Hartford but commute here daily. The results showed that both Hartford residents and daily visitors believe that the city faces problems that must be addressed. The general feeling was that the city is going in the right direction. Their conclusions were:

- Public Safety is a top priority followed by Economic Development, Education, and Quality of Life issues.
- There is a disconnect between the reality of what is happening in Hartford and the excessively negative view people get from the media.
- Convincing people will require more than actually improving conditions in Hartford. It will also be necessary to change people's perceptions, and must be done through the media and positive public relations.

HARTFORD BUDGET MODEL

The 2005-2006 Recommended Budget marks a significant change for the City of Hartford. For the first time, the City has not followed the traditional approach to budgeting that uses the prior year's budget as a starting point or base and makes changes to it incrementally.

Instead, for 2005-2006, we have moved to a new model that combines elements from several budget approaches that have evolved in both the private and public sectors. All of these approaches (Zero Base, Program Base, Output Base, Performance Base, Priorities Base) not only share common elements but also build on one another. The combined elements that we have included in our Hartford Budget Model include:

- The budget process starts from scratch. Previous year's costs are not used.

- The Mayor identifies goals and strategies.
- Department identify programs and activities to carry out the goals and strategies.
- Departments identify outputs of their programs and activities.
- Departments define outputs in terms of measurable indicators.
- Costs are identified by programs and activities.
- Departments develop activity descriptions that tell what an activity does, for whom and why it is valuable.
- Departments prepare budget proposals that indicate the proposed cost and expected result for each activity.
- Departments prioritize spending to focus on services that matter the most or are legally mandated.
- The Mayor ranks and evaluates all departments, activities.
- The Mayor's Recommended Budget is the result of the acceptance and approval of activities, their citywide ranking and their resource allocation.

CONCLUSION

This has been a difficult budget to prepare. In allocating revenues, I looked first to those activities that helped carry out my priorities: Police and Emergency Services; Education; Revenue Enhancement; and Technology. Yet decreasing revenues necessitate increasing taxes if we are going to not only provide the essential services that residents want and need, but also keep our star on the rise.

As I said in my State of The City address, we must face current challenges head on – so that we can forge ahead in the future.

Respectfully submitted,

Eddie A. Perez, Mayor